

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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TO SECSTATE WASHDC 6392

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LIMITED OFFICIAL USE ASUNCION 5113

E.O. 11652: N/A

TAGS: ETRD, GATT, PA

SUBJECT: IMPORT RESTRICTIONS; PARAGUAY

1. SUMMARY: PARAGUAY HAS RECENTLY BANNED THE

IMPORTATION OF FLASHLIGHT BATTERIES AND COTTON
TEXTILES, AND IT APPEARS THAT CERTAIN CERAMIC PRODUCTS
MAY ALSO BE PROSCRIBED. THE PROHIBITION ON FLASHLIGHT
BATTERIES APPARENTLY HAS MIXED POLITICAL AND ECONOMIC
CAUSES, WHILE IN THE CASE OF THE LATTER TWO PRODUCTS,
THE PRIMARY AIM SEEMS
TO BE PROTECTING DOMESTIC
PRODUCERS AND MAINTAIN EMPLOYMENT. END SUMMARY.

2. THE FIRM POLAS PARAGUAYAS S.A. RECENTLY COMMENCED
MANUFACTURE OF FLASHLIGHT BATTERIES IN STANDARD SIZES
(D,C, AA). PREVIOUSLY, THE LOCAL MARKET WAS SUPPLIED
BY IMPORTS, MAINLY FROM BRAZIL AND ARGENTINA. THE
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FIRM CLAIMS TO HAVE CAPTURED MORE THAN HALF OF THE

MARKET AND TO BE COMPETITIVE THIS LATTER ASSERTION IS VERIFIABLE. HOWEVER, PRICES MAY RISE IF THE IMPORT BAN BECOMES EFFECTIVE. SINCE THE FIRM'S OWNER HAS CLOSE PERSONAL TIES WITH PRESIDENT STROE NER, THERE WAS LITTLE SURPRISE OR REACTION WHEN THE PROTECTIN DECREE AKS SIGNEDBY THE PRESIDENT.

3. MORE RECENT DEVELOPMENTS INDICATE THAT PARAGUAY MAY BE MOVING TOWARDS GREATER RESTRICTIONS ON TRADE. ON DECEMBER 19, A DECREE WAS ISSUED BANNING THE

IMPORTATIONOF COTTON TEXTILES SIMILAR TO THOSE PRODUCED DOMESTICALLY. LOCAL TEXTILE PRODUCERS HAVESTATED THIS IS NECESSARY TO PRESERVE EMPLOYMENT AND THAT IF IMPORTS CONTINUE THEY WILL BE FORCED TO CURTAIL PRODUCTION. THIS WAS FOELLWED TWO DAYS LATER BY WIDESPREAD COVERAGE OF A DEMAND MADE BY MANUFACTURERS OF CERAMIC PRODUCTS THAT IMPORTS FROM BRAZIL BE LIMITED. THE NOTE WHICH THEY PRESENTED TO THE MINISTER OF INDUSTRY AND COMMERCE DECRIED ILLEGAL IMPORTS OF CERAMIC PRODUCTS, ESPECIALLY ROFFING TILES AND BRICKS, FROM THAT COUNTRY. THEY ARE ASKING FOR STRICT CONTROLS ON THE BORDER TRADE.

482 COMMENT: WHILE THIS HARDLY ADDS UP TO A FLOOD OF PROTECTIONIST MEASURES, IT MAY INDICATE A SHIFT TOWARDS RESTRICTIONS ON OFFICIAL IMPORTS OF PRODUCTS COMPETINGWITH WHAT LITTLE MINDUSTRY PARAGUAY HAS. IT IS IRONIC THAT THIS POSSIBLE MOVE TOWARD GREATER PROTECTIONISM COMES AT THE SAME TIME THAT PARAGUAY IS DISCUSSING ACCESSION TO THE GATT. STILL, THE CHANGE IS MORE LIKELY TO BE SEEN IN THE AREA OF STATED POLICY THAN IN THE MARKET-PLACE. CONTRABAND IMPORTS OF BATTERIES, AND BUILDING MATERIALS FAR EXCEED LEGAL IMPORTS OF THESE PRODUCTS. IT IS DOUBTFUL THAT THE GOP COULD EFFECTIVELY CONTROL THE ILLEGAL TRADE, MORE DOUBTFUL STILL THAT IT WOULD TRY, EXCEPT PERHAPS IN THE CASE OF BATTERIES. A SIMILAR BAN TF IMPORTS OF SOAPS AND DETERGENTS WAS IMPOSED SOME TIME AGO IT HAS HAD LITTLE EFFECT, DUE BOTH TO CONTRABAND BORDER TRADE, AND TO THE DISCRETIONARY EXEMPTIONS AVAILABLE LIMITED OFFICIAL USE

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FROM THE MINISTRY OF INDUSTRY AND
COMMERCE.
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